

Message Text

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ACTION EB-08

INFO OCT-01 STRE-00 AGRE-00 CEA-01 CIAE-00 COME-00

DODE-00 FRB-03 H-01 INR-10 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15 STR-07

ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01 DOE-11

IO-13 AF-10 ARA-10 EA-10 EUR-12 NEA-10 OIC-02

SIL-01 OPIC-03 ISO-00 /163 W

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TO SECSTATE WASHDC 6270

INFO AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMEMBASSY TOKYO

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USEEC USOECD, PASS TO STR ELECTRONICALLY

E.O. 11652: N/A

TAGS: ETRD, GATT

SUBJECT: GATT CONSULTATIVE GROUP OF 18, MEETING FEBRUARY
20-21

1. SUMMARY. GATT CG-18 MET FOR TWO HALF-DAY SESSIONS
FEBRUARY 20-21 WITHOUT SUBSTANTIVE RESULTS. FIRST HALF DAY
TAKEN UP BY LENGTHY, DESULTORY STATEMENTS BY MOST OF CG-18
DELS ON DANGERS OF PROTECTIONISM AND GROUP'S CONCURRENCE IN
SECRETARIAT'S SYSTEM FOR MONITORING TRADE RESTRICTIONS. IT
GENERALLY AGREED THAT FURTHER DISCUSSION OF IMPROVED
PROCEDURES FOR REVIEW OF TRADE RESTRICTIONS FOR BALANCE OF
PAYMENTS REASONS SHOULD TAKE PLACE IN THE MTN FRAMEWORK
GROUP, WITH THE EC MAKING CLEAR IT COULD NOT ACCEPT UNDER
CURRENT CIRCUMSTANCES LIMITATIONS ON ITS RIGHT TO TAKE
ACTION. EC ALSO OPPOSED TAKING UP GENERAL DISPUTE SETTLE-
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MENT ISSUE IN THE MTN FRAMEWORK GROUP, SAYING THESE ISSUES
BEST HANDLED IN THE CONTEXT OF NEGOTIATION ON INDIVIDUAL
NTM CODES. CONSENSUS WAS REACHED THAT GENEVA DELEGATIONS
OF CG-18 MEMBERS WOULD INFORMALLY CONTINUE GENERAL DISCUS-
SIONS ON DISPUTE SETTLEMENT, WITH CHAIRMAN LONG RESERVING
RIGHT TO PLACE THE ISSUE ON THE AGENDA OF THE NEXT CG-18
MEETING IF INTERIM INFORMAL DISCUSSIONS DO NOT SHOW

PROGRESS. EC PROPOSED THAT GATT COUNCIL BE ASKED TO INDICATE WORK ON A LIST OF MANDATORY LEGISLATION OF GATT CP'S WHICH ARE COVERED BY THE PROTOCOL OF PROVISIONAL APPLICATION APPLICATION ON PROTOCOLS OF ACCESSION. ISSUE WAS LEFT UNRESOLVED AFTER US SAID THAT EC PROPOSAL WAS ACCEPTABLE ONLY IF COUNCIL ALSO DEVELOPED A PARALLEL LIST OF OUTSTANDING CP MEASURES WHICH ARE IN VIOLATION OF GATT. CHAIRMAN LONG'S PROPOSAL THAT NEXT CG-18 MEETING ADDRESS PRODUCT SPECIFIC TRADE ACTIONS (E.G. STEEL, AUTOMOBILES) GOT NO FIRM SUPPORT ALTHOUGH LONG RESERVED RIGHT TO RAISE THIS ISSUE AGAIN BEFORE NEXT CG-18 MEETING WHICH SCHEDULED FOR AFTERNOON OF JUNE 8 AND MORNING OF JUNE 9. END SUMMARY

2. CG-18 CHAIRMAN LONG OPENED THE MEETING WITH A REQUEST THAT THE GROUP'S DISCUSSION BE FRANK, INFORMAL, BRIEF AND DIRECTED AT CONCRETE ELEMENTS OF TRADE POLICY RATHER THAN GENERALIZATIONS. HIS REQUEST HAD NO NOTICABLE EFFECT. MOST ALL CG-18 MEMBERS SPOKE AT LENGTH ON AGENDA TOPIC "GATT AND PROTECTIONIST TENDENCIES" WITH LITTLE NEW OF SUBSTANCE EMERGING. MAJOR THEMES WERE: (A) HIGHLY COMPLIMENTARY, BUT GENERALLY NON-SPECIFIC REMARKS ON GATT STUDY TITLED "TRADE LIBERALIZATION, PROTECTIONISM AND INTERDEPENDENCE;" (B) NEED TO RESIST PROTECTIONIST PRESSURES, (C) NEED TO TAKE ADJUSTMENT MEASURES AND (D) NEED FOR IMPROVED ADHERENCE TO EXISTING GATT RULES EVEN WHILE WORKING WITH MTN TO IMPROVE THEM. MAJOR DEVELOPED LIMITED OFFICIAL USE

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COUNTRY MEMBERS (US, EC, JAPAN, CANADA) NOTED THAT THERE WAS SOME BASIS FOR GUARDED OPTIMISM THAT TRADING SYSTEM CAN WITHSTAND THE CURRENT PRESSURES SINCE THE COMMITMENT TO AVOID TRADE RESTRICTIONS WAS STILL SOUND EVEN IF SOMEWHAT STRAINED. ALL AGREED CONSEQUENCE OF FAILURE, INCLUDING FAILURE OF THE MTN, WOULD BE DISASTROUS. DEVELOPING COUNTRIES AGAIN UNDERLINED VIEW THAT THEY ARE THE PRIMARY VICTIMS OF TRADE RESTRICTIONS AND THAT SOLUTION LIES IN ADJUSTMENT BY DEVELOPED COUNTRIES. SWISS NOTED THAT THE EFFECTS ON TRADE OF THE CURRENT MONETARY SYSTEM SHOULD NOT BE IGNORED. THE CANADIANS COUNTERED THAT STABILITY FOR STABILITY'S SAKE WAS WRONG-HEADED AND THAT EXCHANGE RATE CHARGES WERE PART OF THE ADJUSTMENT PROCESS.

3. CHAIRMAN LONG REPORTED TO THE GROUP THAT THE SECRETARIAT ON ITS OWN AUTHORITY HAD COMPLETED A STUDY OF TRADE RESTRICTIVE AND LIBERALIZING MEASURES TAKEN DURING SECOND HALF OF 1977 WHICH WOULD SOON BE CIRCULATED TO CP'S IN THE GATT "L" SERIES. THE EC EXPRESSED ITS CONCERN THAT THE REPORT BE BALANCED AND ASKED THAT IT BE SUBMITTED TO THE CG-18 FOR REVIEW PRIOR TO DISTRIBUTION. LONG, WITH US SUPPORT, RESISTED IDEA OF PRIOR CG-18 REVIEW AND HE

WELCOMED US SUGGESTION THAT SECRETARIAT LOOK INTO IMPROVING ITS GUIDELINES FOR THE SUBMISSION OF NOTIFICATIONS AS ONE WAY TO IMPROVE THE FLOW AND ACCURACY OF INFORMATION AVAILABLE TO THE SECRETARIAT. NO ONE IN GROUP OBJECTED TO LONG'S ASSERTION THAT SECRETARIAT WOULD GO AHEAD ON ITS OWN AUTHORITY AS HE HAD PROPOSED.

4. ON BALANCE OF PAYMENTS ISSUE, US OUTLINED PROPOSALS IT HAD MADE PREVIOUSLY TO THE GROUP. US EMPHASIZED THAT IT WAS NOT SEEKING FUNDAMENTAL CHANGES IN THE SUBSTANTIVE GATT RULES WHICH WOULD "LEGALIZE" CURRENTLY PROHIBITED PRACTICES BUT SOUGHT A MORE COMPLETE REVIEW UNDER IMPROVED PROCEDURES OF ALL MEASURES JUSTIFIED ON BALANCE OF PAYMENTS GROUNDS. BRAZIL, WITH SUPPORT FROM OTHER LDCS, REITERATED ITS LIMITED OFFICIAL USE

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PROPOSALS FOR TAKING INTO ACCOUNT IN BOP REVIEWS THE STRUCTURED PROBLEMS OF LDCS AND HOW THESE ARE AGGRAVATED BY ACTIONS OF OTHERS. FURTHER, BRAZIL CONTINUED TO INSIST

THAT SIMPLIFIED PROCEDURES FOR LDC REVIEW SHOULD BE THE RULE AND NOT THE EXCEPTION UNLESS ANOTHER CP COULD JUSTIFY FULL CONSULTATIONS ON THE BASIS OF PRIOR AGREED CRITERIA. PAKISTAN FULLY SUPPORTED BRAZIL WHILE MAKING ADDITIONAL POINT THAT BOP COMMITTEE IN ITS VIEW WAS NOT BALANCED EITHER IN MEMBERSHIP OR IN FACTORS IT TAKES INTO CONSIDERATION DURING A REVIEW. EC AGREED TO CONTINUING DISCUSSIONS IN THE MTN FRAMEWORK GROUP BUT MADE IT CLEAR THAT UNDER CURRENT CIRCUMSTANCES IT WAS NOT READY TO GIVE UP ITS RIGHT TO ACT UNDER ARTICLE XII. EC REFERRED TO THEIR PROPOSALS ON LDC PROCEDURES IN THE FRAMEWORK GROUP, NOTING THAT IT WAS NECESSARY TO KEEP A GLOBAL BALANCE OF OBLIGATIONS. CHAIRMAN LONG CONCLUDED THE DISCUSSION BY RIGHTLY OBSERVING THAT IT HAD LED NOWHERE.

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5. CHAIRMAN LONG OPENED DISCUSSION OF DISPUTE SETTLEMENT BY POSING QUESTION OF WHERE THE ISSUE WAS TO BE DEALT WITH. CANADA EXPRESSED PREFERENCE FOR TAKING UP THE ISSUE IN THE FIRST INSTANCE IN THE CONTEXT OF MTN CODES WHILE AVOIDING TOO GREAT A DISPARITY AMONG DISPUTE SETTLEMENT PROCEDURES IN THE VARIOUS CODES. EC EXPRESSED ITS CLEAR LACK OF ENTHUSIASM FOR A DISCUSSION OF DISPUTE SETTLEMENT IN THE MTN FRAMEWORK GROUP, AGREEING WITH CANADA THAT ISSUE SHOULD FIRST BE ADDRESSED IN MTN CODES AND PERHAPS IN A MORE GENERAL SENSE LATER IN CG-18. JAPAN SAID PROCEDURES UNDER GATT ARTICLES 22 AND 23 WERE APPROPRIATE AND NEED NO CHANGE. US SAID MORE GENERAL ISSUE OF IMPROVED DISPUTE SETTLEMENT UNDER ARTICLE XXII AND XXIII SHOULD NOT WAIT UNTIL CODES ARE COMPLETED BUT, GIVEN THE DIVERGENCE OF OPINION IN THE GROUP, IT WAS NOT CLEAR HOW OR WHERE GENERAL ISSUE COULD BEST BE ADDRESSED. ONE POSSIBILITY WAS FOR GENEVA DELEGATIONS OF CG-18 MEMBERS TO TAKE UP THE ISSUE. SWEDEN SUPPORTED THE US SUGGESTION AND EC, AFTER CONCLUDING THAT NO FURTHER USEFUL WORK IN CG-18 SEEMED POSSIBLE FOR NOW, AGREED THAT SOME INFORMAL WORK MIGHT GO FORWARD AMONG CG-18 PERMANENT DELEGATIONS AS LONG AS NO FORMAL GROUP WAS SET UP. CHAIRMAN LONG EXPRESSED HIS DISAPPOINTMENT WITH THIS OUTCOME AND SAID HE RESERVED THE RIGHT TO REVERT TO THE ISSUE AT THE NEXT CG-18 MEETING ON THE BASIS OF POINTS SET OUT IN SECRETARIAT PAPER CG-18/W/15.

6. EC AGAIN PROPOSED THAT CP'S TAKE UP ISSUE OF DEFINITIVE APPLICATION OF THE GATT, SUGGESTING THE GATT COUNCIL AUTHORIZE THE DRAWING UP OF A LIST OF CP'S LEGISLATION WHICH WAS COVERED BY PROVISIONAL PROTOCOL OF APPLICATION AND SUBSEQUENT PROTOCOLS OF ACCESSION. US AGREED TO SUCH A LIST BUT ONLY ON BASIS THAT A PARALLEL LIST BE DRAWN UP SETTING OUT MEASURES MAINTAINED BY CP'S WHICH ARE INCONSIS-

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TENT WITH GATT PROVISIONS NOT COVERED BY PROTOCOLS. JAPAN EXPRESSED DOUBTS ABOUT ANY LIST ON GROUNDS THAT IT COULD OPEN THE WAY TO A LARGE NUMBER OF REQUESTS FOR WAIVERS OR CHANGES IN GATT RULES. NO OTHER CG-18 MEMBER SPOKE TO THE ISSUE AND DISCUSSION ENDED INCONCLUSIVELY.

7. AT END OF MEETING CHAIRMAN LONG PROPOSED THAT THE NEXT CG-18 MEETING FOCUS ITS DISCUSSION OF PROTECTIONIST TENDENCIES ON PRODUCT SPECIFIC ISSUES WHERE GENERAL TRADE POLICY ISSUES ARISE. FOR EXAMPLE HE MENTIONED STEEL AND AUTOMOTIVE SECTORS. JAPANESE FLATLY REJECTED LONG'S PROPOSAL SAYING IT WOULD ALTER THE NATURE OF THE GROUP. US AND EC SUPPORTED JAPAN. LONG, OBVIOUSLY UPSET BY THE REJECTION OF HIS PROPOSAL, ASKED CG-18 MEMBER TO REFLECT ON THE MATTER SINCE HE INTENDED TO RAISE IT AGAIN AT A LATER DATE. VANDEN HEUVEL

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